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Held at Headquarters, New York, on Tuesday, 13 December 2016, at 10 a.m.

Chair: Ms. King ..... (Saint Vincent and the Grenadines)
Chair of the Advisory Committee on Administrative and Budgetary Questions: Mr. Ruiz Massieu
Iate: Mr. Sene (*Vice-Chair of the Advisory Committee on Administrative and Budgetary Questions*)

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The meeting was called to order at 10.10 a.m.

Agenda item 134: Programme budget for the biennium 2016-2017 (*continued*)

Programme budget implications of draft resolution A/C.5/71/L.25: Investigation into the conditions and circumstances resulting in the tragic death of Dag Hammarskjöld and of the members of the party accompanying him (A/71/668 and A/C.5/71/14)

1. **Ms. Bartsiotas** (Controller), introducing the statement submitted by the Secretary-General in accordance with rule 153 of the rules of procedure of the General Assembly of the programme budget implications of draft resolution A/C.5/71/L.25, contained in document A/C.5/71/14, said that proposed additional resources in the amount of $329,300 reflected under section 1, Overall policymaking, direction and coordination, of the programme budget for the biennium 2016-2017, would cover action including the appointment of an eminent person to review the potential new information, to assess its probative value, to determine the scope that any further inquiry or investigation should take, and, if possible, to draw conclusions from the investigations already conducted.

2. **Mr. Ruiz Massieu** (Chair of the Advisory Committee on Administrative and Budgetary Questions), introducing the related report of the Advisory Committee (A/71/668), said that the Advisory Committee, having considered the resource requirements associated with the draft resolution, had recommended a 10-per-cent reduction in travel resources for consultants. Accordingly, the Advisory Committee recommended that the Fifth Committee should inform the General Assembly that, should the latter adopt draft resolution A/C.5/71/L.25, an additional appropriation of $326,300 would be required under section 1, Overall policymaking, direction and coordination, of the programme budget for the biennium 2016-2017, representing a charge against the contingency fund.

Global service delivery model for the United Nations Secretariat (A/71/417 and A/71/666)

3. **Mr. Takasu** (Under-Secretary-General for Management), introducing the report of the Secretary-General on the global service delivery model for the United Nations Secretariat (A/71/417), submitted to the General Assembly in accordance with the request made in its resolution 70/248 A, said that the global service delivery model provided an opportunity to simplify and consolidate the fragmented administrative services of the United Nations Secretariat. Its aim was to empower programme managers to better manage their programme resources and related resources, and focus on programme management and the implementation of mandates, by consolidating within shared service centres the administrative and transactional processing required to implement their decisions. Building on the framework for a global service delivery model described in document A/70/323, the development of the global service delivery model had been shaped by the views of the General Assembly, the Advisory Committee, oversight bodies, lessons learned from the use of shared services — including through the Regional Service Centre at Entebbe — and similar initiatives in the public sector. He had worked closely with the Under-Secretary-General for Field Support to develop a single model which would deliver high-quality, timely and standardized services across the global Secretariat, including peacekeeping and other field-oriented entities.

4. While thought had been given to the potential for services to be provided from a single location for the entire Secretariat, it had been concluded that, because of the broad nature of the work of the Organization and the need to maintain business continuity, a minimum of two locations with the capacity to operate critical functions would be required. In addition, a two-phase approach had been recommended to determine the final locations for global shared services, with initial consolidation of human resources administration, payroll and accounts payable services in Bangkok, Entebbe, Geneva, Nairobi, New York and Vienna in 2018-2019, focusing on leading to a final position, or end-state, in 2020-2021. The overall guiding principle of the global service delivery model was to serve the needs of its clients better.

5. The variety of service-delivery models currently used for field missions had led to inconsistency; standardization, drawing on existing shared-services arrangements, would therefore be pursued in order to improve quality and achieve economies of scale. A focus on the Regional Service Centre at Entebbe, with its secure and stable environment, would help to provide uninterrupted support and reduce the number of staff working in high-risk situations. During the initial consolidation phase in 2018-2019, administrative support services provided within field missions would be transferred gradually to Entebbe, though missions in the Americas would use shared services provided from New York. With regard to New York, where administrative services were currently provided by the Department of Management, eleven executive offices, and a number of other entities, the initial consolidation

phase in 2018-2019 would establish a shared-services centre addressing requests from staff through a single point of access. The further consolidation into two shared services centres in 2020-2021 would deliver high-quality, consistent services and produce gains in efficiency, allowing the refocusing of work on high-priority substantive activities.

6. As in the case of other major reform initiatives, the success of the global service delivery model would depend on a strong commitment from senior managers, effective project management and change management, and open communication. While many managers preferred the status quo, even if that resulted in less optimal service to staff, continued inefficiency and additional cost to Member States, those managers must be encouraged to put the Organization's interests first and lead their departments into new ways of working. The support of the Fifth Committee would be needed to provide resources for a dedicated project-management team. In addition, the Fifth Committee was advised to request from the Secretary-General detailed related proposals for inclusion in the budget, ensuring that the budgetary cycle was adhered to and that opportunities were not missed. The Department of Management believed that no justification could be found for retaining redundant administrative structures such as the administration of payroll from ten locations despite the existence of a global system, for continuing with the fragmented administrative support units in New York or for sending administrative support staff to insecure locations when a secure, established, shared services centre existed. Shared services were already provided from the United Nations Office at Geneva and from the Regional Service Centre at Entebbe; in order to profit from the global delivery of services, that approach must be expanded.

7. **Mr. Ruiz Massieu** (Chair of the Advisory Committee on Administrative and Budgetary Questions), introducing the related report of the Advisory Committee (A/71/666), said that the Advisory Committee considered that the report of the Secretary-General responded only partially to the request of the General Assembly for a business case, a detailed cost-benefit analysis and comprehensive baseline information for each process, and that it failed to provide complete information for decision-making by the General Assembly. Further refinement of its proposals was required in a number of areas. With regard to the global service delivery assessment, the Advisory Committee had reiterated the need for a comprehensive and detailed inventory of the 201 location-independent administrative processes that could be considered for consolidation into shared-service arrangements. It had also highlighted the need for a coherent and uniform approach to the delivery of administrative services across all parts of the United Nations Secretariat, including peacekeeping, based on a harmonized catalogue of administrative services. With regard to the business case, the Advisory Committee considered the full-time equivalent analysis on which baseline information quantitative benefits had been estimated to be very preliminary. Data quality required improvement, and detailed information should be provided on the methods and assumptions underlying the development of the analysis. It was important to ensure that the full-time equivalent requirements for performing administrative tasks could be measured, compared and verified in a consistent manner over time.

8. Given the scale and scope of the proposals, and their preliminary nature and need for further development, the Advisory Committee believed that account should be taken of the Organization's capacity to implement in parallel an additional major business transformation initiative. At the same time, the Advisory Committee recognized, as the Secretary-General had pointed out, that the global service delivery model was closely interrelated with Umoja, and was required in order to fully realize the latter's potential benefits. The Advisory Committee accordingly believed that it was in the best interest of the Organization to adopt a more sequential approach to the implementation of the first phase of the global service delivery model, with implementation at a limited number of locations rather than at all six locations concurrently. Such a pragmatic approach would allow the Secretariat to develop its proposals fully, provide an opportunity to test the model in a pilot environment and enable the United Nations to absorb more gradually the significant organizational changes that would undoubtedly result from the consolidation of administrative services across the Secretariat.

9. The Advisory Committee therefore recommended that, prior to embarking on a major consolidation of administrative services in New York, the global service delivery model should be tested at locations such as Geneva and Nairobi. They provided a wide range of services to a large number of clients, and their activity differed in volume, but they had fewer offices providing administrative support services. In the light of its recommendation that two instead of the proposed six locations should be covered in phase 1 (2018-2019), the Advisory Committee further recommended approval of four of the eight positions proposed for the project team. It also recommended approval of the application of the cost-sharing formula applied for the Umoja project to

the resource requirements for the implementation of the global service delivery model project. Lastly, the Advisory Committee recommended that the General Assembly should request the Secretary-General to submit for consideration by the General Assembly during its seventy-second session a report containing a comprehensive and fully developed proposal.

10. **Ms. Wairatpanij** (Thailand), speaking on behalf of the Group of 77 and China, said that the Group believed that business transformation initiatives should be supported if they improved mandate implementation and the delivery of services to Member States. It had noted the rationale put forward for the new service delivery model: the need to respond to increasingly complex administrative structures, policies, procedures and delegations of authority in the Organization. While acknowledging the report of the Secretary-General, the Group agreed with the concern expressed by the Advisory Committee that the report of the Secretary-General failed to provide complete information for decision-making by the General Assembly, in line with the request made in its resolution 70/248 A. It would have expected a concrete business case including an end-state vision, clear goals and objectives, and a detailed cost-benefit analysis containing information on qualitative and quantitative benefits.

11. The Group wished to emphasize that the development of the model should fully take into account the experience and lessons learned from ongoing and concluded business transformation projects, including the introduction of International Public Sector Accounting Standards (IPSAS), Umoja, human resources management reform, staff mobility, the information and communications technology strategy and the global field support strategy. Any new revised proposal should avoid duplication or overlapping of functions and should be built, to the extent possible, on existing infrastructure and expertise, including infrastructure and expertise available at offices away from headquarters and in field missions.

12. The Group echoed the view of the Advisory Committee that it was important to build on the synergies achieved during the implementation of the global field support strategy, particularly the organization of the end-to-end processes into service lines at the Regional Service Centre in Entebbe. Consolidation of service delivery within peacekeeping missions and special political missions should take place before the initiative was extended to the entire Secretariat. The Group recalled that the General Assembly had emphasized, in section XIX, paragraph 8, of its resolution 70/248 A, that future proposals related to the global service delivery model, including budget proposals related to qualitative and quantitative benefits from the development and implementation of the model, would be contingent on the presentation by the Secretary-General of clear benefit realization plans containing specific information on potential benefits to be achieved, and, furthermore, that the development of the global service delivery model should be limited to the provision of administrative support services.

13. Full account must be taken of the comments and recommendations of the Board of Auditors in connection with the global service delivery model, remembering that the Board had highlighted the continued absence of an agreed and documented global estates strategy, the lack of key performance benchmarks and data on occupancy rates, as well as evidence that the Secretariat did not have all the capability required to deliver the mandated level of organizational improvements. Among the Group's concerns were the reliance of the Secretariat on professional service firms to implement most of central improvement initiatives, especially in organizational change management projects such as Umoja. It could be predicted that, if urgent and comprehensive remedial action was not taken further, change management initiatives such as the global service delivery model would inherit the same situation.

14. Aware that the global service delivery model proposed to relocate functions to what would be shared service centres, the Group had concerns and doubts about how the Secretariat would ensure, when centralizing functions from offices away from headquarters, that the decision-making power of those offices was respected and maintained, to avoid weakening of their authority through over-centralization. The Group wished to recall that strong leadership and effective project governance were essential to the success of what was a complex, Organization-wide business transformation initiative. It therefore urged the Secretary-General to ensure that development of the model incorporated mechanisms for senior-management ownership and accountability, to guarantee successful delivery of the intended objectives. Lastly, the Group remained concerned at the tendency towards over-expenditure on change-management initiatives. While fully acknowledging the prerogatives of the Secretary-General as the chief administrative officer of the Organization, the work and resources of the Organization must be properly channelled towards the priorities set out by Member States, as reaffirmed by the General Assembly in paragraph 4 of its resolution 71/6.

15. **Mr. Abdallah** (Chad), speaking on behalf of the Group of African States, said that the initial consolidation of services in six locations, proposed in the report before the Committee, defeated the very purpose and principle of the global service delivery model, and would not lead to a reduction in the resources required for service delivery, as those six locations included the most expensive. Believing that the plan to establish service hubs in the most costly duty stations must be revisited, the Group trusted that the Committee would evaluate the options presented by the Secretary-General and ask questions about whether the proposed locations would actually help the Organization to make savings and reduce operating costs. It was also clear that the assessment of expected outcomes included in the report was not comprehensive, preventing the drawing of clear conclusions. The Group believed that such an approach would not lead to meaningful quantitative benefits, and that the proposal should be revised to provide greater detail.

16. The Group recalled that the General Assembly, in its resolution 70/248 A, had reiterated that the global service delivery model should be limited to the provision of administrative support services, and that the proposal should take into account the use of all existing United Nations infrastructure, including infrastructure away from Headquarters. It hoped that, with over 70 per cent of peacekeeping missions being based in Africa, most of the provision of support services would also be hosted in Africa. Similarly, it emphasized the importance of building on the synergies and consolidation of the global field support strategy with the support services in the Departments of Peacekeeping Operations and Field Support before attempting to extend such arrangements to the entire United Nations Secretariat. As the introduction of a global service delivery model would naturally have an impact on all reform initiatives in the Secretariat, that consideration should not be neglected. It was important to determine whether the report of the Secretary-General had carefully examined the possible repercussions of a global service delivery model on staff and on the overall culture of the Organization, and to establish what mitigation measures had been put in place.

17. The Group believed that the report of the Secretary-General had fallen short of meeting the requirements of the General Assembly, because it did not provide for a thorough realignment of all regulations, rules and procedures, in a bottom-up approach. Proactive efforts to maximize synergies with key ongoing United Nations Secretariat business transformation initiatives, especially Umoja and the global field support strategy, were vital.

18. **Ms. Baumann** (Switzerland), speaking also on behalf of Liechtenstein, said that the Secretary-General's vision of a truly global Secretariat which fulfilled its mandates in the best way possible, supported by administrative services that provided what was needed, when needed and where needed, was welcome. The overriding objective of the global service delivery model should be to provide in an effective and efficient manner programmes backed by high-quality, timely and standardized administrative services across the Secretariat. The two delegations wished to highlight three issues for consideration.

19. First, the Secretary-General's goal of creating a truly global Secretariat should be more ambitious and take a broader view of United Nations operations. If the objective was to put in place a more consistent plan for supporting the efficient and effective delivery of mandates, the service delivery model could not be separated from programme activities. The Secretary-General should be encouraged to ensure that they were aligned with each other. The establishment of a global service delivery model also provided an opportunity to review potentially outdated or redundant organizational structures. Second, thought should be given to making better use, wherever practical and feasible, of synergies between the administrative support structures of the United Nations Secretariat and those of the funds, programmes and specialized agencies. In that regard, the Secretary-General should be encouraged to build upon existing hubs and shared service centres which exploited economies of scale and had a proven record of delivering high-quality services. Third, it was important to ensure close coordination and synchronization with all ongoing management reform initiatives, including Umoja, the information and communications technology strategy and human resources reforms, such as mobility arrangements. It was particularly important for the implementation of the global service delivery model to ensure that the Umoja Foundation and Extension 1 processes were fully stabilized and operational.

20. The two delegations had taken note of the recommendation of the Advisory Committee that the global service delivery model should first be tested at the United Nations Offices at Geneva and Nairobi, and would engage actively and constructively on the best way forward for that important project during the informal consultations.

21. **Mr. de Preter** (Observer for the European Union), speaking also on behalf of the candidate countries Albania, Montenegro, Serbia and the former Yugoslav Republic of Macedonia; the stabilization and association process country Bosnia and Herzegovina;

and, in addition, Armenia, Georgia and the Republic of Moldova, said that the European Union member States emphasized the importance of developing a global service delivery model alongside ongoing change processes at the United Nations, in particular Umoja and the information and communications technology strategy, and supported the goal of creating a truly global Secretariat that was better able to deliver on its mandates and was supported by administrative services providing what was needed, when needed and where needed. The European Union agreed with the vision proposed for the global service delivery model and welcomed the report of the Secretary General, the details and options provided in it and the progress made in further developing proposals, as requested by the General Assembly in its resolution 70/248 A.

22. Over recent bienniums, the Member States had provided resources for major reform processes including Umoja and the global field support strategy. The global service delivery model would be an essential element, drawing those processes together, creating synergies and ensuring better, faster and more efficient service delivery with benefits that could be demonstrated in quality and quantity terms. The global service delivery model and Umoja would clearly be mutually reinforcing: while Umoja standardized and automated business processes, the global service delivery model would consolidate fragmented administrative structures within and across duty stations. The global service delivery model was key to unlocking the real benefits of Umoja.

23. The overall objective of establishing the global service delivery model, and of the report of the Secretary-General, which set out the overall vision, methodology, rationale and broad concepts for that model, was to concentrate resources on substantive, front-line activities, making the Organization leaner and more effective, not only improving the quality of mandate implementation and serving the current and evolving needs of the Secretariat, but also liberating funds that could represent considerable efficiency gains. The global service delivery model should maximize benefits and avoid possible duplication and overlap, while taking into account the unique and complex nature of the United Nations system. The European Union therefore underlined the need for a truly global and system-wide approach. A report on progress should be presented to the General Assembly during the main part of the seventy-second General Assembly, on the basis of the work of a dedicated team under the leadership of the incoming Secretary-General.

24. **Ms. Norman Chalet** (United States of America) said that, over the previous ten years, the Secretary-General had demonstrated a commitment to transformational management initiatives, including Umoja, IPSAS, and the information and communications technology strategy, all of which were equipping the United Nations to operate in the twenty-first century. Member States had expended significant resources on those reforms, and the Secretariat had expended significant effort on implementing them. While the benefits had begun to accrue, more work was needed. The real potential of those initiatives lay in enabling the Organization to adopt new, more effective ways of operating that held significant potential efficiencies. If implemented properly, the global service delivery model could join those various transformational initiatives together, bringing the United Nations into line with modern business practices by streamlining and consolidating administrative services across the Secretariat and in the most economically advantageous locations.

25. The use of comprehensive real-time data would make mandate execution more efficient and effective, as a result of factors including better procurement and asset management. The Secretary-General had noted the advantages of placing client needs, operational imperatives and results first, while ensuring appropriate control, oversight and cost-effectiveness, indicating that the administrative architecture of the Secretariat was currently spread across 98 stand-alone entities, causing confusion, redundancy, and processing delays. Through the global service delivery model the Organization would be able to streamline service delivery into shared service centres and, as a result, become more "fit for purpose", while ensuring sufficient accountability and budget discipline. That would contribute to the desirable collective goal: moving resources away from administrative priorities and service delivery. While there were many elements in the reports of the Secretary General and the Advisory Committee which merited careful attention and analysis even after the conclusion of the current General Assembly session, including how best to meet the specialized needs of field operations, it was critical that Committee should provide the mandate and the necessary resources for the continued analysis and development of the global service delivery model to ensure that the potential of the reform efforts could be fulfilled in the longer term.

26. **Ms Hailu** (Ethiopia) said that her delegation believed strongly that the United Nations system should have the necessary resources and business solutions to ensure that its various entities operated

efficiently and complied with their mandates. Accordingly, it hoped that the global service delivery model would fulfil its potential and deliver the expected results by providing system-wide support at global, regional and local levels. She recalled the requests of the General Assembly, in section XIX of its resolution 70/248 A, for a detailed proposal from the Secretary-General and for benefit realization plans, and noted the recommendations made by the Advisory Committee in its report relating to the framework for a global service delivery model of the United Nations Secretariat (A/70/436) in connection with sound management focusing on effectiveness and efficiency, and a target operating model for the Organization. The Committee must ask itself what the benefits of the model were, and whether the report of the Secretary-General provided a response. The report contained neither a clear business case, nor a specific cost-benefit analysis.

27. As any recommendation regarding a global service delivery location was critical, consideration of that location should be comprehensive, detailed and based on solid empirical data. The Committee should be informed precisely about the reasons for preferring any particular duty station over another, with the choice having a logical and scientific link to the assessment conducted. It should be noted, however, that no such assessment currently existed. If the aim of the exercise genuinely was to reduce costs, high-cost duty stations should not be considered the preferable choice unless that choice was backed by an extremely convincing reason. There should be thorough discussion of the comparative situation of low-cost duty stations, a discussion of cost-driven facts, and a proper balancing of costs and risks. Her delegation wished to contest strongly the use of stability as a consideration. It did not consider the location assessment outcomes in the report of the Secretary-General to be exhaustive, and wished to see more detailed cost-benefit analyses of duty stations and details of the associated costs of a particular choice.

28. Her delegation did not believe the approach proposed in the report, namely the initial consolidation of services in six locations for 2018-2019, with those locations including the most expensive, to be likely to yield meaningful quantitative benefits; it should therefore be reconsidered. Similarly, detailed explanation of the location arrangements envisioned for phase 2 of the consolidation was required. She wished to know if the number of initial locations would be expanded to more than the current six, and if that was the case, what methodology would underlie their selection.

29. The report of the Secretary-General had not provided details of how the client needs of the Secretariat entities — particularly the regional commissions — due to adopt the global service delivery model at its initial stage would be accommodated. That raised fundamental questions, including how to evaluate selection criteria, how to benchmark the evaluation of a location, and whether the paramount considerations of the capacity to expand offices to house additional staff, and the availability of transportation and medical services, would be taken into account. Her delegation would pose further questions during the informal consultations on the global service delivery model, and hoped to see serious reflection on the merits of launching new change initiatives before implementation of earlier such initiatives was complete. It wished to reaffirm its commitment to making a success of changes that would improve the effectiveness and efficiency of all parts of the United Nations system, but believed that it was proper to insist that the changes contemplated yielded actual results, and that plans should be implemented in a way that allowed results to be empirically verified.

30. **Mr. Mule** (Kenya), recalling the General Assembly's previous requests to the Secretary-General regarding the development of the proposal for a global service delivery model, said that the report before the Committee had left gaps, had provided information that was in many respects inadequate and had itself indicated that further reflection would be needed. His delegation regarded the phased approach for the consolidation of administrative services to be a work in progress, and was awaiting further proposals from the Secretary-General in that connection; it was particularly eager to learn how the selection of the two service centres proposed for the second phase would be made.

31. Noting that the Organization had for some years been implementing reforms aimed at improving performance and efficiency, his delegation expressed support for an implementation environment which avoided duplication and promoted best practice and learning from experience. It echoed the view of the Advisory Committee that it was best to take a sequential approach to an initiative of the size of the global service delivery model. It also wished to emphasize that it would support reform initiatives that would strengthen United Nations offices in the global south.

Agenda item 146: Financing of the International Criminal Tribunal for the Prosecution of Persons Responsible for Genocide and Other Serious Violations of International Humanitarian Law Committed in the Territory of Rwanda and Rwandan Citizens Responsible for Genocide and Other Such Violations Committed in the Territory of Neighbouring States between 1 January and 31 December 1994 (A/71/577 and A/71/671)

Agenda item 147: Financing of the International Tribunal for the Prosecution of Persons Responsible for Serious Violations of International Humanitarian Law Committed in the Territory of the Former Yugoslavia since 1991 (A/71/578 and A/71/671)

Agenda item 148: Financing of the International Residual Mechanism for Criminal Tribunals (A/71/579 and A/71/671)

32. **Ms. Bartsiotas** (Controller), introducing the final performance report for the International Criminal Tribunal for Rwanda (A/71/577), said that the final expenditure for the liquidation period for that Tribunal was $5.8 million gross, reflecting a net increase of $3.7 million gross over the initial appropriation for the biennium 2016-2017, as a result mainly of additional staff costs requirements. The Secretary-General proposed to transfer that increase as a charge to the 2016-2017 budget of the International Residual Mechanism.

33. Introducing the first performance reports for the biennium 2016-2017 relating to the International Tribunal for the Former Yugoslavia (A/71/578) and the International Residual Mechanism for Criminal Tribunals (A/71/579), she said that the primary purpose of the reports was to identify adjustments required as at the end of the first year of the current biennium, owing to variations in the rates of inflation, exchange rates, standard costs and vacancy rates assumed in the calculation of the initial appropriations. The revised estimates for the International Tribunal for the Former Yugoslavia amounted to $98.1 million gross, reflecting an increase of $2.3 million over the initial appropriation, resulting from the depreciation of the United States dollar against the euro and adjustments to standard salary and common staff costs, partly offset by a decrease due to projected favourable inflation and higher vacancy rates. The revised estimates for the Residual Mechanism amounted to $135.7 million gross, reflecting a decrease of $1.7 million over the initial appropriation, resulting from adjustments to standard salary and common staff costs and from favourable inflation rates, partly offset by an increase reflecting changes in exchange rates and vacancies.

34. **Mr. Ruiz Massieu** (Chair of the Advisory Committee on Administrative and Budgetary Questions), introducing the related report of the Advisory Committee (A/71/671), said that, with regard to the liquidation of the International Criminal Tribunal for Rwanda, the Advisory Committee had noted with concern that the estimated final level of expenditure for the biennium, at $5.8 million, was almost three times the level of the appropriation for that period. It regretted the level of write-offs and overpayments, taking the view that they could partly have been avoided and that measures should have been in place to ensure their prompt recovery prior to the Tribunal's liquidation and separation of its staff. It also regretted that the General Assembly had not been informed of the reasons for the extension of the Tribunal's liquidation phase and for the related overexpenditure until the issuance in November 2016 of the most recent report of the Secretary-General (A/71/577), though the decision to extend the liquidation period had been taken much earlier in the same year. It should be standard practice for information on any significant difficulties encountered by the Secretary-General in liquidating United Nations entities to be passed to the General Assembly as soon as those difficulties became apparent, in order to facilitate corrective measures and to protect the resources of the Organization.

35. The Advisory Committee had noted the proposal of the Secretary-General to transfer and charge the overexpenditure for the International Criminal Tribunal for Rwanda to the budget of the International Residual Mechanism for Criminal Tribunals. It had also noted the requirements indicated in the first performance reports for the International Tribunal for the Former Yugoslavia and the International Residual Mechanism for Criminal Tribunals.

36. **Ms. Wairatpanij** (Thailand), speaking on behalf of the Group of 77 and China, said that the Group had noted the unqualified audit opinions issued by the Board of Auditors on the financial statements for the year ended 31 December 2015 for the two Tribunals and the International Residual Mechanism, as well as the Board's comments, observations and recommendations. Timely implementation of those recommendations was important.

37. Having noted with concern the reasons for the increase in the projected final expenditure for the liquidation of the International Criminal Tribunal for Rwanda, the Group wished to emphasize that lessons learned from the planning and implementation of the

liquidation process should be taken into account in the future, particularly as regarded respecting the views of managers on the ground. All claims, including those relating to local service providers, must be settled, and all lease agreements for rental facilities must be honoured. With regard to the proposed transfer of the balance remaining from the liquidation to the budget of the Residual Mechanism, the Group would seek clarification during informal consultations. Finally, the Group wished to express gratitude to the Registrar of the International Criminal Tribunal for Rwanda for ensuring the successful conclusion of the latter's mandate, and to the outgoing Registrar of the Residual Mechanism, in particular for his contribution to the completion and occupation of the new facilities in Arusha.

38. **Ms. Iwatani** (Japan) said that her delegation regretted the scale of the difference between the initial level and final level of estimates for the expenditure of the International Criminal Tribunal for Rwanda, and was deeply concerned at the observations made by the Advisory Committee in its report on the matter of inaccurate forecasts, weak management and a lack of internal control and accountability. It also regretted that the significant overpayments had been left as a pending issue for a long time. In the light of its commitment to the rule of law and support for the activities of the Tribunals, Japan also believed in the need for proper administrative and financial management during the liquidation phase, with any necessary corrective measures being taken.

39. **Mr. Podlesnykh** (Russian Federation) said that his delegation was concerned at the significant increase in expenditure for the liquidation of the International Criminal Tribunal for Rwanda, and attributed that situation largely to ineffective action by the Secretariat during the liquidation process. It shared the view of the Advisory Committee that inaccurate forecasting of requirements was a sign of weak management and a lack of internal control and accountability. Despite a clear mandate for liquidation at the end of May 2016, the Tribunal's operation had been extended for a further two months. The reasons for that extension must be thoroughly analysed and provide lessons learned for the future. The considerable overshoot of approved final expenditure must not be repeated. His delegation trusted that the negative experience of the liquidation of the International Criminal Tribunal for Rwanda would be fully considered at the time of the liquidation of the International Tribunal for the Former Yugoslavia. It was vital that established rules and procedures governing the financial and human resources of the Organization should be adhered to scrupulously during that process. It would be unacceptable for any duplication of functions or waste of budgetary resources to occur during the handover of that Tribunal's powers to the Residual Mechanism.

Agenda item 132: Financial reports and audited financial statements, and reports of the Board of Auditors (A/71/5 (Vol. I), A/71/5 (Vol. III), A/71/5 (Vol. IV), A/71/5 (Vol. V), A/71/5/Add.1, A/71/5/Add.2, A/71/5/Add.3, A/71/5/Add.4, A/71/5/Add.5, A/71/5/Add.6, A/71/5/Add.7, A/71/5/Add.8, A/71/5/Add.9, A/71/5/Add.10, A/71/5/Add.11, A/71/5/Add.12, A/71/5/Add.13, A/71/5/Add.14, A/71/5/Add.15, A/71/5/Add.16, A/71/331, A/71/331/Add.1 (Part I), A/71/331/Add.1 (Part II), A/71/331/Add.2, A/71/397, A/71/558 and A/71/669)

40. Mr. Mkumba (Chair of the Audit Operations Committee of the Board of Auditors), introducing the Board of Auditors reports to the General Assembly at its seventy-first session, said that the financial statements for the period ended 31 December 2015 had been submitted for audit on 31 May 2016, two months later than the date prescribed in the Financial Regulations and Rules of the United Nations, because of challenges associated with the implementation of the Umoja enterprise resource planning system. As a result, the Board of Auditors had issued opinions on those financial statements in September and October 2016. Unqualified opinions had been issued for the 18 entities covered during the reporting period. Nine entities, four of which had reported deficits for 2014, had reported surpluses for 2015. Nine entities had reported deficits for 2015; six of them had done so, despite reporting surpluses for 2014, because of decreases in contributions, increases in employee end-of-service liabilities and the recognition of the major part of their revenue in the first year of the biennium. All the entities had demonstrated solvency in that they were able to meet their long-term liabilities.

41. Employee benefit liabilities had decreased by 7 per cent, from $11.34 billion as at 31 December 2014 to $10.58 billion as at 31 December 2015, owing to changes in inflation rates and discount rates used in actuarial valuations. The liability in respect of untaken leave had also decreased by 7 per cent, from $770.61 million in 2014 to $714.29 million in 2015. Despite the overall decrease, the employee benefits liabilities of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), the Office of the United Nations High Commissioner for Refugees (UNHCR), the United Nations Office for Project Services (UNOPS), the

United Nations Human Settlements Programme and the International Residual Mechanism for Criminal Tribunals had increased because of the revision of the discount rate to reflect the decrease in the interest rates of long-term United States government bonds and corporate bonds. The decreases did not reduce the need for plans to fund the liabilities, because the actuarial assumptions were updated on the basis of market data; if the markets were unfavourable, the liabilities could become unsustainable. Over time, more resources would be required to service the liabilities, which would therefore be difficult to meet if an entity significantly reduced its programmes or closed down.

42. Despite the trend of ongoing improvement in the closure and presentation of financial statements since the adoption of the International Public Sector Accounting Standards (IPSAS), the implementation of Umoja had delayed the preparation of correct financial statements. For example, for operations of the United Nations reported in volume I of the statements, the International Criminal Tribunal for Rwanda, and the United Nations Office on Drugs and Crime (UNODC), material adjustments had been necessary before the financial statements had been finalized.

43. The implementation of enterprise risk management by United Nations entities was not uniform. UNOPS had developed but not fully rolled out a risk management model and delivery plan; the United Nations Population Fund (UNFPA) had not documented its risk assessment process or established risk assessment plans for strategic risks and fraud; and the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) was piloting its approach and had developed risk registers but had not completed risk reporting modules. UNHCR, UNRWA and the United Nations Children's Fund (UNICEF) faced challenges in implementing enterprise risk management. Implementation had been ineffective in the United Nations Institute for Training and Research (UNITAR). For the operations reported in volume I, progress had slowed and there was no plan to embed enterprise risk management throughout the Organization as mandated by the General Assembly.

44. Most of the entities, including UNITAR, the United Nations Development Programme (UNDP), UNHCR, UNODC and UNFPA, had developed procedures for managing implementing partners in capacity assessments, selection, monitoring and evaluation of performance. Nevertheless, the selection, monitoring and close-out of projects delivered by implementing partners should be improved. Recurring delays had occurred in the financial closure of operationally closed projects in UNDP, the United Nations Capital Development Fund (UNCDF), UNFPA and UN-Women. Further improvements in the controls on the implementing partners of the Office for the Coordination of Humanitarian Affairs were needed.

45. The Board had used data supplied by the entities' management to review anti-fraud approaches, and had worked with United Nations organizations to ensure that reporting was consistent and that the definition of presumptive fraud was taken into account. Although the number of cases of fraud and presumptive fraud reported by UNDP, UNFPA, UNHCR, UNOPS, UNRWA and UN-Women had increased between 2014 and 2015, the value of the fraud cases reported for 2015 had been $4.64 million, equivalent to 0.01 per cent of the total expenses of $34,945 million reported by the entities in 2015. The inability of UNFPA, UNRWA and UN-Women to specify whether they had recovered any of the amounts lost through fraud indicated that they must strengthen their fraud reporting and monitoring. UNOPS, UNODC, UN-Women, the operations reported in volume I, the Investment Management Division of the United Nations Joint Staff Pension Fund, the International Tribunal for the Former Yugoslavia and the International Residual Mechanism for Criminal Tribunals did not have adequate anti-fraud strategies, although they possessed fraud policies, conducted fraud awareness training and had implemented reporting and monitoring mechanisms. By strengthening anti-fraud measures, the Organization would show that it was committed to tackling fraud and supported anti-fraud policies and activities. The level of fraud reported was low in relation to the scale and complexity of United Nations system operations and the high-risk environment in which they were performed. System organisations recovered relatively small amounts from perpetrators of fraud and rarely took legal action to enforce prosecution by local law enforcement bodies.

46. Further improvement was needed in human resources management. In some entities, performance evaluations were delayed or not conducted at all. In UNFPA and UN-Women, service contract holders performed core staff functions or were assigned roles intended for United Nations staff. Some entities had made efforts to strengthen their human resources functions. UNHCR had undertaken to reduce its number of regular posts and the affiliated workforce by 5 per cent, while UNODC was assessing its grade structures to address the risk of grade drift, the balance between senior and junior staff, and current and future staffing needs. For the operations reported in volume I, the Administration had made limited progress in

addressing the Board's previous recommendation that it develop a medium- to long-term strategic workforce strategy and operational workforce plans informed by a review of the strategy of the Organization to identify gaps in headcount, grades, knowledge and skills (A/69/5 (Vol. I)).

47. Asset management must be improved in some entities. In UNFPA, the inventory policy and procedures manual had not been updated to take into account the establishment of the new inventory system. Inventories worth $58.46 million had accumulated in UNICEF warehouses as at 31 December 2015, and the Comptroller of the Fund took between 1 and 11 months to approve write-offs, incurring avoidable storage costs.

48. UN-Habitat, UNRWA, UN-Women and UNFPA had no indicators to monitor changes in information and communications technology costs. For the operations reported in volume I, the Office of Information and Communications Technology was improving its understanding of such costs and would present Member States with a revised five-year forecast for the Secretariat, including the Department of Field Support, which had been not been covered in the 2015 forecast. More information was needed regarding actual expenditure and the status of information and communications technology assets throughout the Secretariat, including peacekeeping operations, so that the Administration could develop robust planning assumptions and present Member States with informed options for investment in such technologies. Although the net book value of the entities' information and communications technology equipment had decreased from $276.87 million in 2014 to $265.43 million in 2015, mostly because of changes in annual depreciations and disposals during the year, the net book value of software (intangible assets) had increased from $73.17 million in 2014 to $89.18 million in 2015.

49. Compliance with the advance travel ticket purchase policy was essential. UNRWA did not have such a policy, and as a result most tickets were booked shortly before the date of travel. At UNICEF the compliance rate was only 35 per cent.

50. Only UNRWA, UNDP, UNFPA, UN-Women and the United Nations University had asset management strategies that included maintenance investment plans. The Secretariat was in the early stages of gathering data to enable it to develop an estate management strategy. While UNRWA and UNFPA had sinking funds, other United Nations entities did not have strategies for covering the costs of maintenance and upgrades. The Secretariat had improved its global estate management through the strategic capital review, the Umoja estate management module, the introduction of flexible workspace in New York and the production of guidelines on the management of capital projects.

51. The Board had reported separately on such business transformation projects as the capital master plan and Umoja. Commitment to reform was strong and progress had been made in such centrally driven initiatives as IPSAS, Umoja, the global field support strategy and revised approaches to the management of information and communications technology, procurement, human resources and estates. Those initiatives had often run behind schedule and over budget, and senior management intervention had been required to get them back on track. To make best use of them, the Secretariat must develop an operational performance baseline and adopt a continuous improvement methodology.

52. Of the 515 recommendations made by the Board for 2014, and up to June 2015 for United Nations peacekeeping operations, 210, or 41 per cent, had been fully implemented, a lower rate than for 2013, for which 49.6 per cent of recommendations had been fully implemented. The reasons for the increasing downward trend in implementation of recommendations included demands related to Umoja and the length of time needed to change polices or introduce controls.

53. **Ms. Bartsiotas** (Controller), introducing the Secretary-General's reports on implementation of the recommendations of the Board of Auditors contained in its reports on the United Nations funds and programmes for the year ended 31 December 2015 (A/71/331/Add.1 (Part I) and A/71/331/Add.1 (Part II)), said that the reports contained information additional to the comments already submitted to the Board. For each recommendation, they also included information regarding the status of implementation, the office responsible, the estimated completion date and the priority assigned, as well as an update on the status of implementation of recommendations that related to prior periods and had not been fully implemented. The executive heads of the United Nations funds and programmes had concurred with most of the Board's recommendations and had made every effort to ensure compliance with the request of the General Assembly regarding the implementation of such recommendations.

54. Introducing the Secretary-General's report on implementation of the recommendations of the Board of Auditors contained in its report on the United Nations for the year ended 31 December 2015 (A/71/331/Add.2), she said that the Administration had

accepted all the Board's recommendations. Of the 166 recommendations made to the Secretariat over the previous four financial periods, 54 per cent had been fully implemented, 33 per cent were under implementation and 14 per cent had been closed by the Board or overtaken by events as of 30 June 2016. In the concise summary of the principal findings and conclusions contained in the reports of the Board of Auditors for the annual financial period 2015 (A/71/558), the Board noted that, of the 515 recommendations made up to December 2014, or up to June 2015 for peacekeeping operations, 41 per cent had been fully implemented, 42 per cent were under implementation, 8 per cent had not been implemented, 4 per cent had been overtaken by events, 3 per cent had been reiterated and 2 per cent had been closed. The reasons for the increasing downward trend in implementation of recommendations were the need to change polices and introduce controls, and delays resulting from multiple business transformation projects. While all accepted recommendations of the Board would be implemented in a timely manner, the main recommendations would be given the highest priority. The Administration was committed to fully implementing the Board's recommendations, which would improve the resource management and efficiency of the United Nations funds and programmes.

55. **Mr. Sene** (Vice-Chair of the Advisory Committee on Administrative and Budgetary Questions), introducing the related report of the Advisory Committee (A/71/669), said that the Advisory Committee regretted that the financial statements of 11 entities had been received for audit two months after the usual submission date, due to challenges associated with the implementation of Umoja. As a result, the Board had been unable to provide its audit reports in a timely manner and in all of the official languages of the Organization. The Advisory Committee expected future reports to be provided within the required timeframe, in accordance with the Financial Regulations and Rules, to allow sufficient time for the General Assembly to consider them.

56. The Advisory Committee had noted that all the entities had received unqualified audit opinions from the Board. However, it had also noted with concern that the rate of implementation of the Board's recommendations had continued to decrease, particularly in New York. Outstanding recommendations should be addressed in a timely manner; a dedicated follow-up mechanism would help to monitor implementation. The Advisory Committee remained preoccupied that the Board had once again been unable to provide assurance that the figures relating to fraud and presumptive fraud were reliable, but welcomed the recent issuance of an Anti-Fraud and Anti-Corruption Framework of the United Nations Secretariat and looked forward to seeing the Board's views on that Framework in the context of volume I of its next audit report.

57. Lastly, recalling the observation made by the Board in 2011 that the United Nations Joint Staff Pension Fund should issue guidelines for selecting and evaluating managers of external funds, having decided to treat that selection as an investment decision rather than a procurement exercise, and the Board's indication that such guidelines had still not been finalized by 2015, the Advisory Committee trusted that the Board would continue its follow-up of the matter.

58. **Ms. Wairatpanij** (Thailand), speaking on behalf of the Group of 77 and China, said that the Group valued the external oversight role of the Board of Auditors, the continued high quality of its reports, and the production for the first time of a separate Board report on the United Nations Joint Staff Pension Fund. However, it was disappointed at the delay in finalization of the financial statements, which had led to a delay in the consideration of the associated reports in the General Assembly. Noting the contribution of Umoja to that delay, the Group emphasized the need for future financial statements to be submitted in accordance with the established timeframe and with the Financial Regulations and Rules.

59. Noting that all the audited entities had received unqualified audit opinions, the Group emphasized the need for all of the entities concerned to sustain the gains made, while also addressing any weaknesses identified. It welcomed the conclusion that all of the entities had demonstrated a sound level of solvency, but was seriously concerned at the financial position of UNRWA, which had insufficient cash reserves to meet its core liabilities.

60. Although the Group had expressed concern at the decrease in the rate of implementation of the Board's recommendations, particularly in the case of peacekeeping operations, in the most recent audit period when measured against the previous period, it had recognized that the current period had been the first to be covered by IPSAS, and that the implementation rates might therefore not be directly comparable. However, it stressed that all entities should take appropriate action to ensure implementation of the Board's recommendations promptly and as a matter of priority, and to establish accountability arrangements for delays in implementation.

61. The Group had noted that some business transformation initiatives had not been properly planned or implemented relative to their goals. Some had no clear benefit realization plan, or had required significant intervention from senior managers to place them back on course. With specific regard to the Secretariat, it would like details of the common methodology for achieving benefits through Umoja and for assessing cumulative benefits in terms of quality and quantity prior to the deployment of extension 2. The administration in all entities should establish a formal approach to managing ongoing business transformation projects, by means including the establishment of clear, justifiable and quantifiable benefit realization plans and implementation timeframes. Having noted the information regarding travel management at UNICEF, UNRWA and elsewhere, the Group wished to learn more during the informal consultations about travel expenditure, existing policies and compliance with those policies across all entities.

62. The Group welcomed the efforts of entities including the United Nations Secretariat to develop frameworks covering fraud, presumptive fraud and corruption. It believed firmly that the Chief Executives Board for Coordination was best placed to develop guidance for achieving consistent application of such policies across all entities, and wished to explore that matter further during informal consultations.

63. The Group agreed with the view of the Advisory Committee that a well-functioning information-sharing mechanism covering implementing partners was needed in order to apply best practices and lessons learned more effectively. It would seek clarification during informal consultations on the action taken to address weaknesses identified by the Board in a number of entities including the International Residual Mechanism, UNHCR, UNICEF and UNRWA. Also during the informal consultations, it would follow up on specific issues of interest, including budget management, asset management and procurement in a number of entities including the United Nations Secretariat, UNICEF, UNHCR, the United Nations University and in Umoja and the United Nations Joint Staff Pension Fund, in order to understand better what steps had been taken to prevent recurrence of weaknesses.

64. **Ms. Pilleri** (Observer for the European Union) said that the late issuance of the report of the Advisory Committee was regrettable. The timely and simultaneous submission of all required documentation in all official languages was key to maintaining the inclusiveness and transparency of the process of reaching agreement.

65. The Board of Auditors, through its high-quality reports and useful recommendations, had contributed to developing a more sound, more cost-effective and more transparent United Nations system, and to better governance and more efficient financial and operational management in the Organization. The Board's unqualified audit opinions had provided the Member States with an independent assessment of the use of the resources that they provided. The European Union agreed with the Board that the decrease in the rate of implementation of its recommendations was a source of concern, and urged the Secretary-General to ensure their full and timely implementation.

66. The ongoing business transformation and modernization projects — including IPSAS, Umoja and the global service delivery model — would, if implemented fully and effectively, enhance transparency, efficiency and cost-effectiveness. While commending the Secretariat for achieving global implementation of Umoja in 2015, the European Union was concerned at the observation of the Board that the Administration was not yet making full use of the new platforms to support improved managerial decision-making and to deliver the promised financial and service-delivery improvements. It also agreed with the Board on the need for a more harmonized approach to Organization-wide business transformation, the need for a comprehensive plan for enterprise risk management, which had shown insufficient progress, and the need for the Organization to increase the efficiency and strategic focus of its management of human resources, as its workforce was key.

67. **Ms. Norman Chalet** (United States of America) said that the work of the Board allowed the Member States to benefit from expert oversight on a system-wide scale, providing a view of United Nations entities' challenges and progress in areas including financial performance, management of resources, workforce planning, enterprise risk and counter-fraud initiatives. That oversight was crucial to ensuring that the Organization functioned effectively and efficiently, continuing to provide vital and necessary services around the world. The unqualified audit opinions issued were an indication that the Member States could be confident of the integrity of the financial statements and the strength of the Organization's financial situation.

68. Her delegation welcomed the overall conclusions of the Board, particularly the need for a focus on implementing and profiting from new platforms and

initiatives to support improved managerial decision-making and to deliver the promised financial and service-delivery improvements. However, for the Organization to measure its own progress, it must develop a baseline of current performance, and use the new tools to manage resources and results better.

69. Her delegation also welcomed the issuance of an Anti-Fraud and Anti-Corruption Framework of the United Nations Secretariat, but noted the conclusion of the Board that overall levels of fraud and presumptive fraud in peacekeeping operations and six major funds and programmes had increased since 2014. Although that increase might be due to improved reporting mechanisms, her delegation agreed with the Board, the Advisory Committee and the Joint Inspection Unit that under-reporting and non-detection of fraud was probably high, because the number of reported cases in the United Nations system was disproportionately low. All United Nations entities should develop systems to prevent and detect fraud, and take a proactive approach in that regard.

70. It was vital that the United Nations should incorporate the recommendations of the Board into its everyday operations. By doing so in a timely manner, the Organization could significantly improve the oversight of activities and the delivery of services for some of the most vulnerable people in the world.

The meeting rose at 12.05 p.m.